

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

Midland American Bank	401 West Texas Avenue, Suite 100
_____ Name of Institution	_____ Street
Midland	Midland
_____ City	_____ County
Texas	79701
_____ State	_____ Zip Code
Mary A. Clouthier	
_____ Examiner-in-Charge	

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## CRA PERFORMANCE ASSESSMENT

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Midland American Bank, Midland, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of November 17, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's record of lending to small businesses continues to be strong, as is evidenced by the fact that 77 percent of the loans in the six-month sample were made to borrowers with gross revenues of \$250 thousand or less. In addition, the bank's motor vehicle lending sample revealed an excellent distribution, with 50 percent of its lending to low and moderate income borrowers.

**DESCRIPTION OF INSTITUTION**

Midland American Bank is a locally-owned entity in Midland, Texas, with its main office situated downtown at 401 West Texas. An affiliate of MAB Bancshares of Delaware, Inc., a bank holding company, it has four branch locations available to consumers in the area. Three branches are located in Midland at 3005 W. Cuthbert, 719 W. Louisiana, and 4409 W. Wadley. Another branch is located at 1211 Lamesa Highway in Stanton, Texas. One proprietary ATM is located at the Wadley Branch in Midland.

As of June 30, 1997, the bank reported total assets of \$194.5 million, a 39.4 percent increase over the \$139.5 million reported in assets as of December 31, 1995. The bank's loan to deposit ratio for the June 30, 1996 quarter-end is 70.12 percent. The bank continues to focus its primary lending activities toward commercial/industrial and commercial real estate lending, which account for 41.03 percent and 29.91 percent, respectively.

The asset distribution by loan type is reflected below as of June 30, 1997:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$ 4,889	3.85
Residential 1-4	5,463	4.30
Multifamily	0	0.00
Commercial	31,074	24.44
Agricultural	987	0.78
Total Real Estate	42,413	33.37
Consumer:		
Open-end credit	231	0.18
All other	22,220	17.48
Commercial and Industrial	52,328	41.16
Agricultural	8,608	6.75
State and Political Obligations	0	0.00
Other	1,343	1.06
Total	\$127,143	100.00

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area.

At the previous examination as of March 11, 1996, the bank received a Satisfactory CRA rating.

**DESCRIPTION OF THE MIDLAND-ODESSA MSA AND STANTON, TEXAS**

Midland American Bank has branch offices located in the Midland/Odessa metropolitan statistical area

(MSA) and Stanton, Texas, in Martin County, which is contiguous to the MSA. While the bank's service area contains both metropolitan and non-metropolitan areas, the city of Stanton is not located substantially beyond the MSA boundary. Therefore the following analysis utilizes one assessment area consisting of the MSA and the town of Stanton.

The assessment area is located in the western part of the state, in an area known as the "Permian Basin". More than 21 percent of the nation's crude oil and natural gas reserves are found within a 150 mile radius. Primarily known for its oil and petroleum-related industries, there is a movement underway to diversify the area's products and attract technical and "back-office" type industries. As a result of this push to diversify the economy, the area has seen a few new companies relocating to Midland-Odessa. Some of the companies which employ many of the local citizens include Texas Instruments, Fuel Harvesters Equipment, Inc., Southwestern Bell, TU Electric, the University of Texas of the Permian Basin, and various retail establishments. According to statistics from the U.S. Bureau of Labor Statistics, there has been an increase in manufacturing employment from the fourth quarter of 1995 to fourth quarter 1996. The largest numbers of employed persons are in the retail/wholesale/trade and services industries. Since the area received its MSA designation, several chain restaurants and retailers have opened in the area. Some of those include Outback Steakhouse, Circuit City, Office Depot, Lowe's, and On the Border. According to one of the community contacts involved in economic development, the services industry appears to be a fast-growing enterprise. Most of the businesses, according to the contact, are small businesses and individually employ a small number of employees, but collectively, account for a major portion of the area's total workforce.

The United States Census Bureau divides metropolitan areas into statistical subdivisions called census tracts and non-metropolitan counties into block numbering areas (BNAs). Various information, including population, race, household composition, education, employment and income statistics, are available from the Census Bureau for each tract and BNA. Census Data for 1990 indicates the population for the Midland-Odessa MSA as 225,545. The 1997 median family income (MFI) for the MSA is \$37,500, which is higher than the state's non-metropolitan MFI of \$31,500. There are two low-income, three moderate-income, seven middle-income, and 14 upper-income census tracts within the assessment area. Approximately 25 percent, 15 percent, 19 percent, and 41 percent of the households are low-, moderate-, middle-, and upper-income, respectively. (Refer to Income Category chart in Distribution of Credit Within the Assessment Area section for definitions of income categories.) According to Census data, 56.8 percent of the MSA's available housing units are owner-occupied. Furthermore, the median value is \$61,403. One of the community contacts, in the housing industry, indicated a need for affordable housing. The contact indicated a particular need for refurbishing existing homes in low- and moderate-income areas.

The town of Stanton consists of two BNAs classified as middle-income. Approximately 19 percent, 21 percent, 16 percent, and 44 percent of the households are low-, moderate-, middle-, and upper-income, respectively. Stanton, Texas is the county seat of Martin County. Stanton's population, according to 1990 census data is 2,567 and the county's population is 4,956. Major employers include Caprock Electric Company, Martin County Hospital, and the Stanton Independent School District. Attractions in the area encompass the Martin County Museum, the jail which has been designated a historical monument, and an old monastery which is in the process of being refurbished for tours in the future. In addition, three times a year people from around the Permian Basin descend on Stanton to observe the Trade Day Shows, where various vendors display and sell their goods.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:****Loan To Deposit Ratio**

The institution's average loan-to-deposit ratio is reasonable in light of its performance context, which includes the institution's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area.

The bank's average loan-to-deposit ratio for the six quarters since the last consumer affairs examination is 68.35 percent. As of June 30, 1997, the bank's net loans represented 70.12 percent of total deposits. The unadjusted national peer ratio for the same period was 72.22 percent. In an effort to better evaluate the bank's performance in relation to its immediate peer group, a loan-to-deposit ratio analysis was made of two banks chartered in Midland and Odessa, Texas. The bank in Midland which, while smaller in asset size than Midland American Bank, was chosen because of its proximity. The bank in Odessa was chosen because its asset size and product mix were the most similar of the banks identified in the area. The quarterly average ratios for those banks are 34.36 and 74.44 percent, respectively. Therefore this bank's loan-to-deposit ratio is considered reasonable in light of the range of the aforementioned institutions.

**Comparison of Credit Extended Inside and Outside of the Assessment Area**

A review of sampled loans originated in a six-month period in 1996 indicated 87 percent of the loans extended were located inside the assessment area. Examiner analysis was comprised of a review of 68 small business loans and 137 motor vehicle loans. Of the motor vehicle loans sampled, approximately 78 percent were in the bank's assessment area and 97 percent of small business loans were within the assessment area.

<b>LENDING IN/OUT OF ASSESSMENT AREA ANALYSIS ON NUMBER-BASIS</b>		
<b>LOAN TYPE</b>	<b>PERCENT INSIDE</b>	<b>PERCENT OUTSIE</b>
Motor Vehicle Loans	78%	22%
Commercial Loans	96%	4%
Total Loans	87%	13%

**Lending to Borrowers of Different Incomes And to Businesses of Different Sizes**

A review of the bank's distribution of loans in its assessment area by business revenues and borrower income was performed on the sampled loans. The loan distribution among the various business revenues revealed a good distribution. Of the commercial loans sampled, 77 percent were originated to borrowers with gross revenues less than \$250 thousand. Of the motor vehicle loans originated, 50 percent were made to low- or moderate-income individuals. This compares more favorably to the Midland-Odessa MSA demographics which indicate 39 percent of the people are low- or moderate-income and 61 percent are middle- or upper-income. The BNA characteristics indicate 40.80 percent of the families are low- or moderate-income and 59.20 percent are middle- or upper-income.

The consumer loan analysis consisted of analyzing borrower income as a percentage of the Midland-Odessa MSA MFI and the Texas non-metropolitan MFI. A breakdown by income range for each category is detailed below:

<b>MIDLAND-ODESSA MSA MEDIAN FAMILY INCOME</b>		
<b>\$37,500</b>		
<b>INCOME CATEGORY</b>	<b>INCOME RANGE AS A PERCENT OF</b>	<b>UPPER LIMIT OF RANGE</b>
<b>LOW-INCOME</b>	0 - 49%	\$18,375
<b>MODERATE</b>	50 - 79%	\$29,625
<b>MIDDLE-INCOME</b>	80 - 119%	\$44,625
<b>UPPER-INCOME</b>	120% and over	over \$45,000

<b>TEXAS NON-METROPOLITAN MEDIAN FAMILY INCOME</b>		
<b>\$31,500</b>		
<b>INCOME CATEGORY</b>	<b>INCOME RANGE AS A PERCENT OF</b>	<b>UPPER LIMIT OF RANGE</b>
<b>LOW-INCOME</b>	0 - 49%	\$15,435
<b>MODERATE</b>	50 - 79%	\$24,885
<b>MIDDLE-INCOME</b>	80 - 119%	\$37,485
<b>UPPER-INCOME</b>	120% and over	over \$37,800

An analysis of the loan distribution among the various income levels is detailed on the following chart and revealed an average distribution of loans.

<b>Motor Vehicle Loans By Income Level</b>		
<b>INCOME CATEGORY</b>	<b>NUMBER OF LOANS BY INCOME OF BORROWER</b>	<b>PERCENT OF TOTAL LOANS</b>
<b>LOW-INCOME</b>	16	17.00
<b>MOD-INCOME</b>	31	33.00
<b>MID-INCOME</b>	23	24.00
<b>UPP-INCOME</b>	24	26.00
<b>TOTAL *</b>	94	100.00

\* Total does not include 3 consumer loans with missing information.

<b>COMMERCIAL LOAN SAMPLE IN ASSESSMENT AREA BY GROSS REVENUES</b>		
<b>REVENUE CATEGORY</b>	<b>NUMBER</b>	<b>PERCENT OF TOTAL</b>
<b>\$0 - \$100,000</b>	21	47.73
<b>\$100,001- \$250,000</b>	13	29.54
<b>\$250,001 - \$1,000,000</b>	10	22.73
<b>Total*</b>	44	100.00

\*Total does not include 12 loans to borrowers with revenues in excess of \$1million.

**Geographic Distribution Of Loans**

A review of the bank's distribution of loans in its assessment area among low-, moderate-, middle-, and upper-income geographies was performed on the sampled loans. The analysis of loan distribution among the various census tracts revealed that loans were disseminated throughout the assessment area. The assessment area's demographics indicate 20 percent of the census tracts are low- or moderate-income, 80 percent are middle or upper-income, and that both Block Numbering Areas are middle-income. The following chart details the loan distribution in each income category by loan type.

<b>LOAN SAMPLE BY CENSUS TRACT</b>				
	<b>COMMERCIAL LOANS</b>		<b>MOTOR VEHICLE LOANS</b>	
<b>Income Category</b>	<b>Loans in CT Income Category</b>	<b>Percent of Total Loans by Loan Type</b>	<b>Loans in CT Income Category</b>	<b>Percent of Total Loans by Loan Type</b>
<b>Low – Income</b>	2	4	3	3
<b>Mod – Income</b>	5	9	20	21
<b>Mid – Income</b>	29	53	46	47
<b>Upper – Income</b>	19	34	28	29
<b>Total</b>	55	100	97	100

### **Response to Complaints**

The institution has not received any written complaints about its CRA performance since the last examination.

### **Compliance With Antidiscrimination Laws (ECOA, FHA, or HMDA)**

No violations involving illegal discrimination or discouragement were noted.